

From Diesel to Doctor

Although Michael H. Spindler joined Apple in September 1980 as marketing manager for European operations, the native of Berlin, Germany, didn't pop up on the radar screens of most Apple watchers until January 29, 1990, when he moved to Cupertino to assume the role of chief operating officer, taking over the worldwide manufacturing and marketing units that had previously reported to Jean-Louis Gassée. Nicknamed "The Diesel" because of his ability to attack complex problems head-on with no-nonsense management experience, Spindler was chugging down a career path that would take him to the highest executive office at Apple. In stark contrast to Steve Jobs and John Sculley, Spindler is a passionately private man who, according to one former executive, "did not get where he is by showing his butt in public." As a result, most people would be hard pressed to recall a single thing he accomplished while at the helm of Apple. That's a shame, because had he achieved his ultimate goal, its effect would have been more profound than anything anyone else at Apple had ever accomplished: The firm would have ceased to exist.



Almost since the moment he arrived in Cupertino, Michael Spindler tried to merge Apple with a variety of different corporations.

Upon arriving in Cupertino, Spindler was instructed by CEO Sculley to begin a secret search for a way to pair Apple's brand name and superior software with the market muscle and boardroom credibility of a larger company. Sculley felt that the Mac market would slowly erode and that Apple's only hope was to create new revenue streams from products such as the Newton personal digital assistant and Pippin set-top box, but developing these products to the point of self-sufficiency would require the resources of a larger company.

"I'm a Mike Spindler fan. In my personal opinion, he's clearly CEO material, and maybe the board brought him in for that."

Jean-Louis Gassée, upon announcing his intention to leave Apple
(San Jose Mercury News, March 3, 1990)

"We used to have a joke that you don't sit in the first ten rows at a Spindler speech, because you might drown from all the sweat and spit."

Apple sales manager **John Ziel**

"This isn't anything new. Since 1986, we held serious discussions with DEC, Kodak, Sony, Sun, Compaq, IBM, and a few other companies I'd rather not name now. They were very thoughtful discussions. We considered everything from 'Let's trade technology' to 'Let's put the companies together' with each one of them."

Chairman **Mike Markkula**, on 1996 merger speculation

In 1989, Joseph A. Graziano was nicknamed "The Million Dollar Man" after Apple paid him a \$1.5 million signing bonus to leave Sun Microsystems, where he had been CFO for two years. He had been Apple's CFO from 1981 to 1985, at which time he quit to spend time with his brother, Anthony, who was dying of cancer. When word of the signing bonus spread around Apple, employees began computing budgets and profits in a new unit of currency called the Graz. For example, if your budget got cut by \$6 million, you'd say they slashed "four Grazs."

Tom Zimberoff



CFO Graziano resigned after failing to convince the board to break up Apple.

investigated during his final days in charge), claiming it was the only way Apple could survive. He laid the blame for Apple's ills at Spindler's feet. He argued that Spindler's new forecast of 30 percent Mac unit growth was unrealistic in the face of the Windows 95 tidal wave. Spindler was still half-heartedly entertaining offers where he could find them but seemed resigned to trying to service the remaining Mac market as an independent company. Spindler fought back and the board stood behind him. As Markkula told *The Wall Street Journal*, "The board has been very pleased with Michael's performance. He is the best thinker at Apple. He is truly a very brilliant man."

Frustrated and disgusted at the

board "sitting there with their thumbs up their asses," Graziano resigned.

By December 1995, a shared fear of Microsoft had driven Sun Microsystems' CEO McNealy to meet with Apple's board at the St. Regis Hotel in New York, where they began nailing down the details of a stock-swap deal that would place McNealy in charge of the combined company. Ironically, five years before, Apple had walked away from a deal to acquire Sun, and now the tables were turned, with the spurned McNealy on the verge of taking over Apple. It looked like Apple might be able to put a present under its shareholders' Christmas trees after all, but negotiations broke off when Apple warned of an impending \$69 million quarterly loss.

The Sun deal may have slipped away, but there was still the possibility that Philips would come through. Talks with Philips had been running concurrently with the Sun negotiations, and the Dutch company had indicated a willingness to pay \$36 a share. However, those hopes were dashed when Philips' board rejected the proposal by a single vote.

During the merger speculation surrounding Apple at the end of 1995, there was a very real possibility of the prodigal son returning to Cupertino. At the *Upside* Technology Summit held in Carefree, Arizona, on February 12, 1996, Oracle CEO Lawrence J. Ellison admitted that he and his best friend, Steve Jobs, contemplated making a bid for the company while the two were vacationing in Hawaii the previous December. "Steve and I talked about it at length," revealed Ellison. "Up to a week ago, we were seriously looking at buying Apple, but Steve and I couldn't exactly agree about the



"I've been to China and to the former Soviet Union, and I've seen what controlled economies are like. They suck. If Microsoft dominates the computer industry the way Bill [Gates] would like, our industry would suck too."

Sun CEO **Scott McNealy**

(*Fortune*, February 19, 1996)

Q. What do you get when you merge Sun and Apple?

A. Snapple.

In an email circulated company-wide upon his resignation, Spindler wrote:

So it's time for me to go! Mistakes or misjudgments made? Oh yes—even plenty. Both in business and personal judgment terms. I take personal responsibility for things that didn't work and should have worked. I tried to give it my best—both intellectually and physically in every corner of the world to carry this cause and its color. I tried to be as clear, honest and forthcoming in my communication with you. Those of you who—through all these long years—have helped me, supported me and even guided me—I thank you sincerely from the bottom of my soul for the friendship and being together. In fading away from the place which I loved and feared, I will become whole again—hopefully renew the father, husband and self I am.

Since leaving Apple, Spindler has kept a low public profile. He sits on the supervisory board of German publishing conglomerate Bertelsmann AG (www.bertelsmann.de) and is a managing partner at Upstart Capital (www.upstartcap.com). Apple, meanwhile, survived the most trying period in its history and—as of this writing—remains a thriving independent company.

Bain & Company

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January 23, 1996

Mr. Michael H. Spindler
Chief Executive Officer and President
Apple Computer, Inc.
1 Infinite Loop
Cupertino, CA 95014

Dear Mr. Spindler:

On behalf of Bain & Company, I am pleased to present you with a copy of ***Maximum Leadership***, a new book written by my colleagues Charles Farkas and Philippe De Backer.

Throughout our 23 years as an international strategy consulting firm, Bain & Company has dedicated itself to helping chief executives create sustainable value for their companies. Based on this experience, as well as on original research including extensive interviews of over 150 CEOs from around the world, ***Maximum Leadership*** presents five distinct approaches to Chief Executive leadership. The findings have generated interest from executives and media alike, including a feature article in ***Fortune*** magazine's early January issue.

Given your position of leadership, I thought you would find this work thought provoking, as you discover which leadership approach you tend to use. We would be interested in your reactions as part of our on-going study of corporate leadership and the role of the center.

Sincerely,

Vincent H. Tobkin
Director

Enclosure



Upstart Capital is a Silicon Valley-based seed and early stage Internet venture capital fund. The principals of Upstart include Aymerik Renard (FranceTelecom's U.S. venture capitalist), Michael Spindler (former Apple CEO) and Deepak Moorjani (The Lodestar Group).

Upstart was launched in late 1999 with an investor base including Sumitomo Corporation, France Telecom, Societe Generale, the partners of two multi-billion dollar investment funds, Leo Hindery (CEO of Global Crossing), Bill Joy (founder of Sun Microsystems), and select Internet industry CEOs.

Upstart's advisory board includes Jean-Claude Latombe (Chair of the Stanford CS Department), Bill Pade (lead of McKinsey's Silicon Valley practice), Doug Solomon (Chief Strategy Officer of Palm Computer) and Leo Hindery.

Co-investors for our current projects include 3COM, Agilent Technologies, Benchmark Capital, Cisco Systems, Nortel Networks, Innovacom Venture Capital (France Telecom), Chase Capital, Fenway Partners, Moore Capital, and Vertex Management.

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675 High Street
Palo Alto, CA 94301
(650) 463-1590
(659) 463-1595 Fax

Wednesday, October 17, 2001

Mr. David Bonderman
Texas Pacific Group
301 Commerce Street
Suite 3300
Fort Worth, TX 76102

Dear David,

I trust that this letter finds you in good health and spirits. We find ourselves in uncertain times with many large concerns beyond business. I hope that you and your family remain safe and well.

In the technology sector, we continue to see a market imbalance: technology and telecom businesses suffer from a lingering oversupply of products and services combined with a sharply reduced (if not eliminated) demand. As a firm, our last investment was made in November 2000, and we believe that there will be few suitable opportunities in the next 6 months.

While there is little good news on the horizon, we remain committed to building this firm. Like many venture firms, we are returning to our roots in anticipation of a slow, steady growth path. We intend to stay the course, and our larger institutional investors have not changed their positions.

I appreciate your continued support in this endeavor, and I look forward to seeing you again in the near future. In the meantime, I remain,

Very truly yours,

A handwritten signature in black ink, appearing to be 'Michael Spindler', written over a horizontal line.

Michael Spindler



675 High Street
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Monday, October 29, 2001

Mr. Doug Luke
HL Capital, Inc.
405 Lexington Avenue
48th Floor
New York, NY 10174

Dear Doug,

Deepak Moorjani recently visited with you in New York to provide an update on Upstart Capital. It must be hard for you to stay focused and positive following the terrible events in the city. My thoughts are with the people in New York.

I wanted to provide my sense of where we are with Upstart given the current industry scenario and climate. It has been a difficult year for venture firms, and we have worked diligently to provide a high-level of ongoing support to our portfolio companies in this period of uncertainty. In the near term, we continue to see a market imbalance: technology and telecom businesses suffer from a lingering oversupply of products and services combined with a sharply reduced (if not eliminated) demand. As a firm, our last investment was made in November 2000, and we believe that there will be few suitable opportunities in the next 6 months.

While there is little good news on the horizon, we remain committed to building this firm, and we anticipate a slow, steady growth path. We intend to stay the course, and our larger institutional investors remain committed to the firm.

I appreciate your continued support in this endeavor, and I look forward to seeing you again in the near future. In the meantime, I remain,

Very truly yours,

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Michael Spindler

Tuesday, April 30, 2002

Mr. Doug Luke
HL Capital, Inc.
405 Lexington Avenue, 48th Floor
New York, NY 10174

Dear Doug,

This letter is to acknowledge the letter that we received on April 16, 2002 and to clarify the issues that it raises.

As previously mentioned, the General Partner intends to abide by the terms and conditions set forth in the Limited Partnership Agreement of Upstart Capital, LP. Under this agreement, the General Partner would not be entitled to future management fees in the event that any member of the General Partner (including Michael Spindler) chooses or is forced to resign. After further consultation with legal counsel, we understand that legal fees in this scenario will be higher for a distribution-in-kind than any management fees on a going-forward basis.

When I visited you in October 2001, you indicated that you were reconsidering your commitment to the Partnership but that it would be impossible to sell your interest in the secondary market. While finding a substitute Limited Partner is not the responsibility of the General Partner, we spent several months talking to secondary market participants and going through due diligence with a number of these firms. We have agreed to work with the Venture Capital Fund of America (VCFA), a firm who understands your situation and would be happy to pursue discussions with you directly.

assures us that they can set a deal done

MS:
can you comment, pls?
3 pages

or any b...
else

VCFA has been in the secondary market since 1983 and has over 150 fund relationships, and the General Partner feels that VCFA would be a suitable substitute Limited Partner. While it is unlikely that you will be able to recover capital at cost, the pricing in the secondary market will likely reflect the state of the venture market and the likelihood of further private equity write-downs and disappointing exits.

Very truly yours,

Deepak Moorjani

cc: Michael Spindler, Upstart Capital
Leo J. Hindery, Jr., HL Capital
Gregg Vignos, Pillsbury Winthrop
Thomas Bauer, HL Capital
Hiro Imura, Sumitomo Corporation of America

* make the point that distributed his "equity" isn't really feasible since

paragraph.



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When I visited you in October 2001, you indicated that you were reconsidering your commitment to the Partnership and that it would be impossible to sell your interest in the secondary market. While finding a substitute Limited Partner is not the responsibility of the General Partner, we spent several months talking to secondary market participants and going through due diligence with a number of these firms. We have agreed to work with the Venture Capital Fund of America (VCFA), a firm that understands your situation and will be able to close a deal expeditiously.

VCFA has been in the secondary market since 1983 and has over 150 current private equity relationships, and based on discussions with VCFA, the General Partner feels that VCFA would be a suitable substitute Limited Partner. While it is unlikely that you will be able to recover capital at cost, the pricing in the secondary market will likely reflect the state of the venture market and the likelihood of further private equity write-downs and disappointing exits.

We appreciate your thoughts and look forward to your continued support.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Deepak Moorjani', with a stylized, flowing script.

Deepak Moorjani

cc: Michael Spindler, Upstart Capital
Leo J. Hindery, Jr., YES Network, LLC
Gregg Vignos, Pillsbury Winthrop
Thomas Bauer, HL Capital
Hiro Imura, Sumitomo Corporation of America



January 2, 2004

Mr. Lionel Pincus
Warburg Pincus
466 Lexington Avenue
New York, New York 10017

Dear Lionel:

Deepak Moorjani, a very talented former colleague of mine with extensive venture capital experience, is giving serious consideration to moving back to India and knowing your extensive investments there I thought you would be interested in talking to him. I believe he made an effort at some point to get in touch with your firm but without much success. I can assure you whatever the outcome it will not be a waste of your time as he is a very talented young man.

I hope this finds you well and that our paths will cross in more than a casual way in the New Year.

Sincerely,

Robert S Pirie

Enclosure

52 West 9th Street, New York, NY 10011

Michael Spindler, former Apple CEO, our June Luncheon Speaker

"Nations or Networks? A view from above."

This theme encapsulates a variety of topics such as the Internet, competitiveness, and South East Asia



Michael Spindler

Michael Spindler was born in Berlin, Germany and holds a B.S. in Electrical Engineering from Technical University in Cologne. He has worked his entire career in the computer and electronics field. His first assignment in 1966 was as a development engineer in the central laboratories at Siemens AG in Munich, Germany, working on a magnetic tape controller for mainframe computers. Wanting to get closer to a real customer he joined a subsidiary of electronics conglomerate Schlumberger in the UK involved in telemetry and radar systems as a customer support engineer.

Realizing the writing on the wall and the potential of minicomputers he joined Digital Equipment Corp in 1970 as salesman in their Munich office, moving on to marketing and product management. By 1977 he had European responsibility for the telecom industry.

That year he answered a call from Intel Corp and became European Marketing Manager based at their European HQ in Brussels.

In 1980 he joined Apple, Inc as European Manager based in Paris, France. In 1985 he took responsibility for Apple's International business based in Cupertino, CA. He became President & COO in 1990 and President & CEO three years later. He left Apple in 1996.

Following corporate life Michael Spindler set out in a variety of broader activities. He served on the Boards of German Carmaker Daimler-Benz and media conglomerate Bertelsmann AG as well as firms in the biomedical and medical device business. He became involved in venture capitalism and joined Upstart Capital LLC. He served as a Trustee in non profit organizations such as the American Film Institute in Los Angeles and Libraries for the Future in New York.

Michael Spindler is married and lives in San Francisco. His three children Karen, Laurie and John live in the Bay Area.